2012 ECONOMIC AND FINANCIAL PROFILE OF QUÉBEC

Québec

2012

ECONOMIC AND FINANCIAL PROFILE OF QUÉBEC

This document is produced by the ministère des Finances du Québec.

The figures shown in this document are those available as of June 1st, 2012.

For information, contact:
Secrétariat général et coordination ministérielle

12, rue Saint-Louis, bureau 2.08
Québec (Québec) G1R 5L3
Phone: 418 691-2250
Fax: 418 646-0923
Email: sri@finances.gouv.qc.ca

This document is available on the Web at:
www.finances.gouv.qc.ca

Subscription available

Legal deposit
Bibliothèque et Archives nationales du Québec
June 2012
ISBN 978-2-550-65120-8 (Print)
ISBN 978-2-550-65121-5 (PDF)

© Gouvernement du Québec

SECTIONS

1. ECONOMY

QUÉBEC, AN EXCELLENT BUSINESS ENVIRONMENT

2. PUBLIC FINANCES

QUÉBEC, RIGOUROUS MANAGEMENT OF PUBLIC FINANCES

3. FINANCING

QUÉBEC, AN ONGOING PRESENCE ON CANADIAN AND INTERNATIONAL MARKETS

QUÉBEC'S ECONOMY: CREATIVE, INNOVATIVE, COMPETITIVE AND OPEN TO THE WORLD

QUÉBEC IN **2012**

1.

THE LARGEST PROVINCE IN CANADA BY SURFACE AREA, QUÉBEC RANKS SECOND ON THE BASIS OF POPULATION WITH MORE THAN 8 MILLION PEOPLE.

2.

QUÉBEC'S GROSS DOMESTIC PRODUCT IS $335 BILLION, REPRESENTING ALMOST 20% OF CANADA'S ECONOMY.

3.

A NATURAL GATEWAY TO NORTH AMERICA, QUÉBEC HAS ACCESS TO A MARKET OF 460 MILLION CONSUMERS THROUGH ITS PARTICIPATION IN THE NORTH AMERICAN FREE TRADE AGREEMENT (NAFTA).

TODAY'S QUÉBEC

A DYNAMIC ECONOMY, A VAST TERRITORY, ABUNDANT NATURAL RESOURCES, RIGOROUS MANAGEMENT OF PUBLIC FINANCES, REMARKABLE HUMAN CAPITAL

4.

PUBLIC FINANCES ARE RIGOUROUSLY MANAGED. THE QUÉBEC GOVERNMENT HAS UNDERTAKEN TO RETURN TO FISCAL BALANCE BY 2013-2014 WHILE MAINTAINING THE QUALITY OF PUBLIC SERVICES.

5.

INVESTING IN QUÉBEC MEANS ENJOYING COMPETITIVE TAX TREATMENT AND LOW LOCATION AND OPERATING COSTS FOR BUSINESSES.

6.

QUÉBEC STANDS OUT WITH ITS HIGHLY EDUCATED WORKFORCE AND REMARKABLE DEVELOPMENT POTENTIAL IN ADVANCED SECTORS AND THE DEVELOPMENT OF NATURAL RESOURCES, HIGHLIGHTED PARTICULARLY IN THE PLAN NORD.

4 000 KM
3 000 KM
2 000 KM
1 000 KM
CANADA
VANCOUVER
CALGARY
QUÉBEC
QUÉBEC
MONTRÉAL
TORONTO
BOSTON
DETROIT
NEW YORK
CHICAGO
WASHINGTON
1 000 KM
UNITED STATES
LOS ANGELES
ATLANTA
2 000 KM
MEXICO
MEXICO
3 000 KM
4 000 KM

ECONOMY

5 Economic outlook

6 An economy driven by its human capital

7 An innovative economy

8 An economy focused on high technology

10 A competitive economy

11 An economy open to the world

12 Abundant natural resources

14 The Plan Nord

15 Hydro-Québec

ECONOMIC OUTLOOK

QUÉBEC'S ECONOMY CONTINUES TO GROW

Québec has a dynamic and resilient economy that emerged from the last recession in good shape. Québec's economy continued to grow in 2011, with real GDP posting a gain of 1.7%, after rising by 2.5% in 2010.

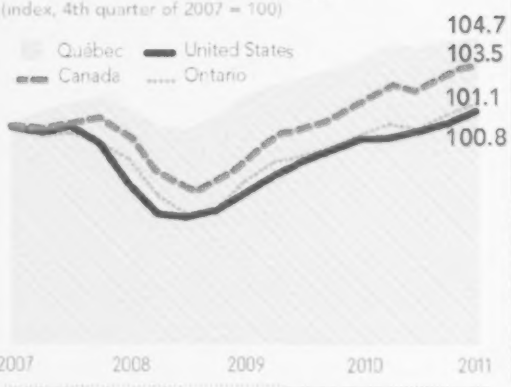
Real GDP growth is expected to continue in 2012, amounting to 1.5%, and then accelerate to 1.9% in 2013.

- Strong domestic demand will continue to sustain economic growth in Québec in 2012 and 2013. It will be based both on the strength of household consumption, supported by job creation, and the significant expected increase in business investment.
- Québec's exports will be stimulated by the growth of its trading partner and robust global demand for natural resources.

ECONOMIC INDICATORS
(percentage change)

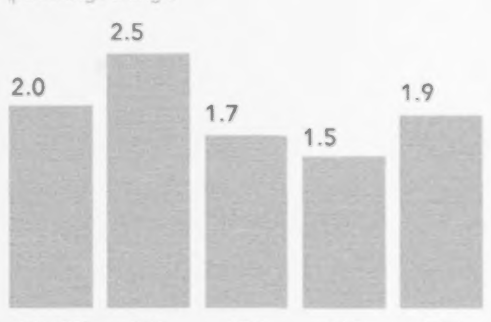
QUÉBEC	2011	2012	2013
Real gross domestic product	1.7	1.5	1.9
Gross domestic product	4.9	3.8	4.1
Real consumption	1.7	1.4	1.9
Housing starts (thousands)	48.4	46.7	41.6
Real business non-residential investment	10.3	4.6	4.6
Real total exports	2.0	3.4	3.4
Unemployment rate	7.8	8.0	7.9
Job creation (thousands)	38.5	21.5	35.7
Consumer price index	3.0	2.5	1.8
CANADA	**2011**	**2012**	**2013**
Treasury Bills – 3 months (%)	0.9	0.9	1.0
Bonds – 10 years (%)	2.8	2.3	3.0
Canadian dollar (US cents)	101.3	98.9	97.1

REAL GDP – QUÉBEC AND ITS MAIN PARTNERS
(index, 4th quarter of 2007 = 100)



SOURCES: INSTITUT DE LA STATISTIQUE DU QUÉBEC, STATISTICS CANADA, ONTARIO MINISTRY OF FINANCE AND IHS GLOBAL INSIGHT

QUÉBEC REAL GDP
(percentage change)



SOURCES: INSTITUT DE LA STATISTIQUE DU QUÉBEC, STATISTICS CANADA AND MINISTÈRE DES FINANCES DU QUÉBEC

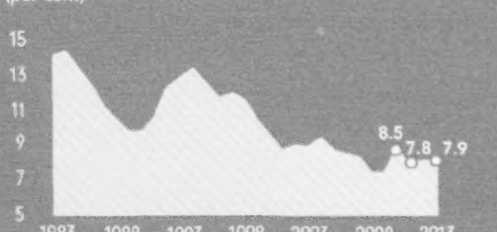
LABOUR MARKET IN GOOD SHAPE

QUÉBEC'S LABOUR MARKET EXPERIENCED POSITIVE GROWTH IN 2011.

- FOR THE YEAR AS A WHOLE, 38 500 JOBS WERE CREATED IN QUÉBEC, WITH THE UNEMPLOYMENT RATE FALLING BY TWO-TENTHS, TO 7.8%.

THE CONTINUATION OF ECONOMIC GROWTH SHOULD RESULT IN THE CREATION OF 21 300 JOBS IN 2012 AND 35 700 IN 2013. THE LABOUR MARKET'S GOOD PERFORMANCE WILL THUS HELP KEEP THE UNEMPLOYMENT RATE AT ABOUT 8.0% IN 2012 AND 2013, A HISTORICALLY LOW LEVEL.

UNEMPLOYMENT RATE IN QUÉBEC
(per cent)



SOURCES: STATISTICS CANADA AND MINISTÈRE DES FINANCES DU QUÉBEC.

AN ECONOMY DRIVEN BY ITS HUMAN CAPITAL

Québec's workforce consists of skilled, educated and experienced workers.

AN ECONOMY THAT WELCOMES QUALIFIED WORKERS AND THE PARTICIPATION OF EXPERIENCED WORKERS

Québec attracts more than 50 000 immigrants a year from every country, contributing to the depth of its qualified labour pool. It has entered into agreements with Ontario and France to promote labour mobility.

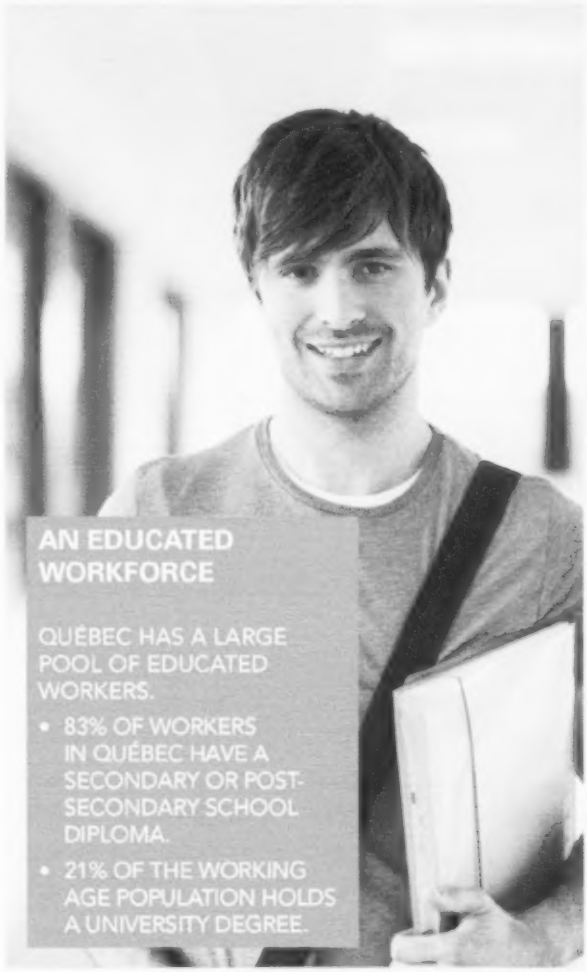
Québec also relies on the know-how of experienced workers. Accordingly, a tax credit on earned income was put in place as of 2012 for workers age 65 or over.

In addition, employers that make use of workers age 65 or over may claim, as of 2013, a reduction in their contributions to the Health Services Fund.

Moreover, businesses receive a refundable tax credit for manpower training in the manufacturing, mining and forestry sectors.

A POPULATION FLUENT IN MANY LANGUAGES

- Almost half of Québec's population speaks at least two languages: 36% are bilingual and 11% are trilingual.
- The world's second largest French-speaking city after Paris, Montréal is a cosmopolitan and culturally rich metropolis that is home to at least 80 ethnic groups. The metropolitan area has close to four million inhabitants.



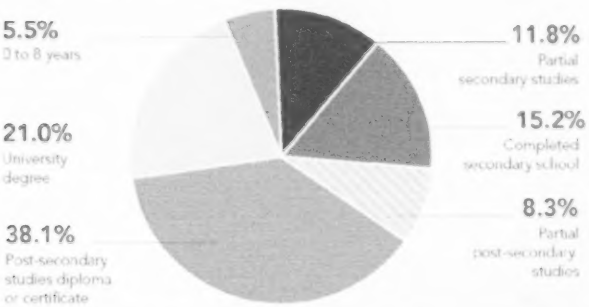
AN EDUCATED WORKFORCE

QUÉBEC HAS A LARGE POOL OF EDUCATED WORKERS.

- 83% OF WORKERS IN QUÉBEC HAVE A SECONDARY OR POST-SECONDARY SCHOOL DIPLOMA.
- 21% OF THE WORKING AGE POPULATION HOLDS A UNIVERSITY DEGREE.

DISTRIBUTION OF QUÉBEC'S WORKFORCE BY LEVEL OF SCHOOLING – 2011

(as a percentage of the population age 15 to 64)



SOURCE: STATISTICS CANADA

KNOWLEDGE OF TWO OR MORE LANGUAGES

(as a percentage of total population)

SOURCE: STATISTICS CANADA, 2006 CENSUS

AN INNOVATIVE ECONOMY

To stimulate innovation, tax assistance of $1.2 billion is granted each year.

A LEADER AMONG INDUSTRIALIZED COUNTRIES

In 2009, Québec allocated 2.6% of its GDP to research and development (R&D), the highest level of all the Canadian provinces.

- It also exceeds the average rate among OECD, G8 and European Union countries.

R&D SPENDING IN CANADA: QUÉBEC STANDS OUT

R&D spending is growing faster in Québec than in the other Canadian provinces.

- Since 1983, R&D spending in Québec, expressed as a percentage of GDP, has grown by an average of 3.4% per year compared with 1.8% for Ontario and 1.4% for Canada as a whole.
- Since 1995, Québec has been the province that, as a proportion of its GDP, has posted the highest level of R&D spending in Canada.

TAX TREATMENT THAT ENCOURAGES INNOVATION

Companies that invest in R&D enjoy favourable tax treatment.

- It is the most competitive in Canada for small and medium-size enterprises and among the most competitive in the G8 countries for large enterprises.

In 2011, the government invested $1.2 billion in tax assistance to stimulate innovation in companies, including $760 million in the form of R&D tax credits. In addition to tax assistance, the government is allocating, through Québec's research and innovation strategy, $1.1 billion over a period of three years to support various strategic sectors.

GROSS DOMESTIC EXPENDITURES ON R&D – 2009

(as a percentage of GDP)

Québec	2.6
Canada	1.9
Ontario	2.3
G8 countries	2.5
OECD	2.4
European Union	1.9

SOURCE INSTITUT DE LA STATISTIQUE DU QUÉBEC

VENTURE CAPITAL: A STRATEGY THAT IS PRODUCING RESULTS

QUÉBEC HAS ADOPTED A STRATEGY TO DEVELOP A DIVERSIFIED VENTURE CAPITAL INDUSTRY WITH THE EMPHASIS ON PRIVATE FINANCING.

THE STRATEGY HAS MADE IT POSSIBLE TO DIVERSIFY AVAILABLE SOURCES OF FINANCING FOR QUÉBEC TECHNOLOGY COMPANIES AND THE RESULTS ARE CONVINCING.

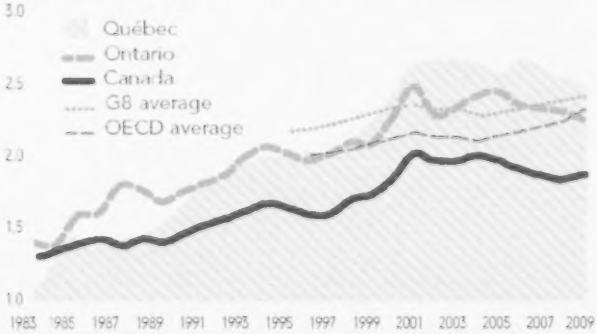
- IN 2011, QUÉBEC RANKED FIRST, ON A PAR WITH ONTARIO, IN TERMS OF MONEY INVESTED IN VENTURE CAPITAL IN CANADA. THE $549 MILLION INVESTED IN QUÉBEC ACCOUNTED FOR 36% OF THE TOTAL AMOUNT INVESTED IN CANADA.

IN RECENT YEARS, THE GOVERNMENT HAS TAKEN INITIATIVES TO CONSOLIDATE THE VENTURE CAPITAL INDUSTRY, IN PARTICULAR WITH THE CREATION OF AN $825-MILLION FUND TO FINANCE VENTURE CAPITAL FUNDS.

THIS YEAR, THE GOVERNMENT ANNOUNCED ITS PARTICIPATION IN A $100-MILLION FUND FOR START-UP CLEAN TECHNOLOGY COMPANIES.

GROSS DOMESTIC EXPENDITURES ON R&D – 1983 TO 2009

(as a percentage of GDP)



SOURCE INSTITUT DE LA STATISTIQUE DU QUÉBEC

NET COST OF AN R&D EXPENDITURE FOR A LARGE ENTERPRISE[1,2]

(dollars)

1. Revenue needed to cover an R&D expenditure of $1 for a large enterprise. The lower the index, the more generous the tax relief measures.
2. Rates in effect in 2008.

SOURCE OECD, SCIENCE, TECHNOLOGY AND INDUSTRY OUTLOOK, 2010 EDITION, DECEMBER 2010

AN ECONOMY FOCUSED ON HIGH TECHNOLOGY

Advanced technologies make a major contribution to Québec's economy.

LIFE SCIENCES

The life sciences industry employs nearly 26 400 people in Québec in more than 340 companies.

The pharmaceutical sector alone represents more than 8 100 jobs in Québec. Nine of the world's ten largest pharmaceutical companies, such as Pfizer, Merck, Sanofi-aventis and Boehringer Ingelheim, have facilities in Québec. In addition, Québec accounts for 30% of Canada's output of pharmaceutical products and drugs.

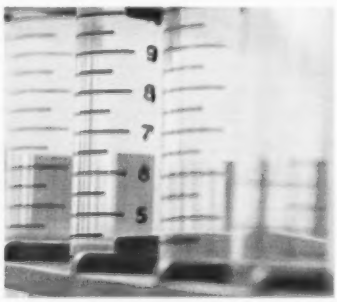
The medical devices industry is enjoying robust growth. Over the past five years, more than $130 million has been invested in this sector in Québec. The industry has more than 115 companies, most of them SMEs, employing approximately 5 500 people. Many multinational companies have opened facilities in Québec, including Becton Dickinson, Medtronic, Elekta, Nobel Biocare, Zimmer and Otto Bock.

- In 2008, Medtronic acquired CryoCath, a Québec company, for $400 million, providing it with innovative technology for the safe and permanent treatment of a type of cardiac arrhythmia by cryoablation. The technology has been approved in Europe and in December 2010, the company received authorization to market it in the United States.

Québec also holds a major position in North America in the biotechnology sector. More than half of Québec biotechnology firms specialize in human health.

- In December 2010, Theratechnologies, a Québec biotechnology company, received Food and Drug Administration (FDA) approval for EGRIFTA®, which is still the first and only treatment for excess abdominal fat in patients with lipodystrophy associated with HIV.

Furthermore, some companies in the life sciences sector specialize in the manufacture of natural health products, such as Neptune Technologies & Bioressources, which markets, under the NKO® brand, an oil rich in omega-3 sourced from processing krill.



AERONAUTICS

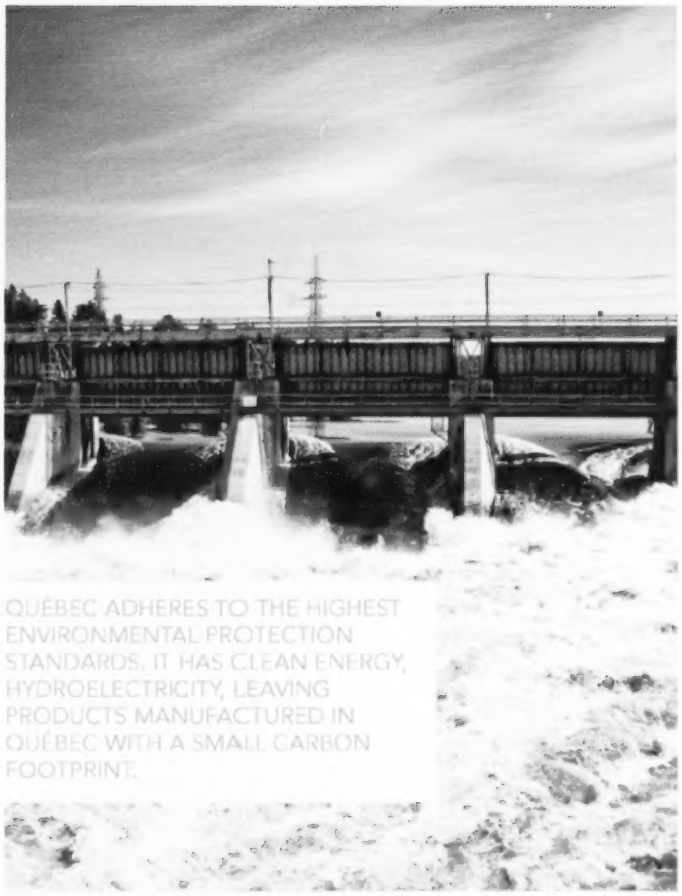
THE AERONAUTICS SECTOR EMPLOYS MORE THAN 42 000 WORKERS IN QUÉBEC. THE SECTOR HAD SALES OF $11.7 BILLION IN 2011. AIRCRAFT AND PARTS ACCOUNT FOR 16.7% OF THE VOLUME OF QUÉBEC'S INTERNATIONAL EXPORTS OF GOODS.

- MORE THAN 50% OF CANADA'S AERONAUTICS WORKFORCE IS IN QUÉBEC.
- NEARLY 55% OF THE AERONAUTICAL PRODUCTS DELIVERED BY CANADA COME FROM QUÉBEC.

QUÉBEC'S AERONAUTICS INDUSTRY INCLUDES MORE THAN 200 COMPANIES SPECIALIZED IN MAKING AIRPLANES, HELICOPTERS, ENGINES, PARTS AND FLIGHT SIMULATORS. MANY OF THESE OCCUPY A DOMINANT POSITION ON THE INTERNATIONAL SCENE:

- BOMBARDIER AEROSPACE, THE WORLD'S THIRD-LARGEST MANUFACTURER IN TERMS OF SALES;
- BELL HELICOPTER TEXTRON CANADA, MAJOR PLAYER IN THE MANUFACTURE OF CIVIL HELICOPTERS WITH ONE THIRD OF THE WORLD HELICOPTER FLEET;
- PRATT & WHITNEY CANADA, LEADER IN THE DESIGN AND PRODUCTION OF ENGINES FOR REGIONAL AIRCRAFT AND HELICOPTERS AND IN SMALL AND MEDIUM POWER TURBINES FOR BUSINESS AIRCRAFT.

ACCORDINGLY, THE GREATER MONTRÉAL REGION IS RECOGNIZED INTERNATIONALLY AS ONE OF THE MAJOR WORLD CENTRES OF AERONAUTICS, ALONG WITH SEATTLE AND TOULOUSE.



QUÉBEC ADHERES TO THE HIGHEST ENVIRONMENTAL PROTECTION STANDARDS. IT HAS CLEAN ENERGY, HYDROELECTRICITY, LEAVING PRODUCTS MANUFACTURED IN QUÉBEC WITH A SMALL CARBON FOOTPRINT.

GREEN TECHNOLOGY

The Québec government put in place a strategy for the development of Québec's green technology industry.

- Québec is one of the few territories in North America to have achieved a reduction in greenhouse gas (GHG); the reduction should reach 6% emissions in 2012 compared with their 1990 level. It is also committed to achieving a 20% reduction by 2020.
- The Québec government has implemented measures to accelerate Quebecers' adoption of electric vehicles and to promote the development of biofuels.

Many Québec companies have developed unique green technologies that allow them to hold an enviable position on the international environmental market.

- The bioenergy sector: the BIOCARDEL firm has developed an innovative technology for the production of biodiesel from waste oils; Bio-Terre Systems has developed a unique technology of low temperature anaerobic digestion; Enerkem is the world leader in the production of second-generation cellulosic ethanol.
- Water sector: Premier Tech Aqua is the international leader in onsite decentralized wastewater treatment technologies; H2O Innovation, solidly established in the United States and recently in India, offers advanced membrane technologies for the production of drinking water.

OPTICS-PHOTONICS

THE OPTICS-PHOTONICS INDUSTRY IN QUÉBEC IS BASED ON A NETWORK CONSISTING OF COMPANIES, INDUSTRIAL AND UNIVERSITY RESEARCH CENTRES, MANPOWER TRAINING CENTRES AND ECONOMIC PROMOTION AGENCIES.

QUÉBEC'S OPTICS-PHOTONICS INDUSTRY HAS SEVERAL INTERNATIONALLY RENOWNED FIRMS:

- EXFO IS ONE OF THE MOST IMPORTANT SUPPLIERS OF ADVANCED SERVICES ASSURANCE AND TESTING SOLUTIONS FOR WIRELESS AND WIRED NETWORK EQUIPMENT OPERATORS AND MANUFACTURERS OF THE GLOBAL TELECOMMUNICATIONS INDUSTRY;
- TERAXION IS A DOMINANT PLAYER IN THE PRODUCTION AND MARKETING OF OPTICAL COMPONENTS;
- ABB BOMEM IS A SPECIALIST IN ANALYZERS FOR INDUSTRIAL PROCESSES.
- CREAFORM IS RECOGNIZED AROUND THE WORLD FOR ITS DIGITAL 3D SOLUTIONS;
- PHOTON ETC. SPECIALIZES IN SCIENTIFIC INSTRUMENTATION AND MANUFACTURES A HYPERSPECTRAL CAMERA DESIGNED FOR SEVERAL MARKETS. THE COMPANY HAS SPAWNED TWO BUSINESSES: PHOTONICS KNOWLEDGE, RECOGNIZED IN THE MINING FIELD, AND NÜVÜ CAMERAS, KNOWN FOR ITS ASTRONOMICAL CAMERA THAT IS THE MOST SENSITIVE IN THE WORLD, AND WHOSE MAJOR CUSTOMER IS NASA;
- THE INSTITUT NATIONAL D'OPTIQUE (INO), IS A RECOGNIZED CANADIAN LEADER IN THE DESIGN AND DEVELOPMENT OF OPTICAL AND PHOTONIC TECHNOLOGIES AND SOLUTIONS.

MULTIMEDIA

IN 15 YEARS, QUÉBEC HAS BECOME CANADA'S LEADER IN VIDEO GAMES CREATION. OVER THE LAST DECADE, THE INDUSTRY IN QUÉBEC HAS EXPERIENCED ANNUAL WORKFORCE GROWTH IN EXCESS OF 20%.

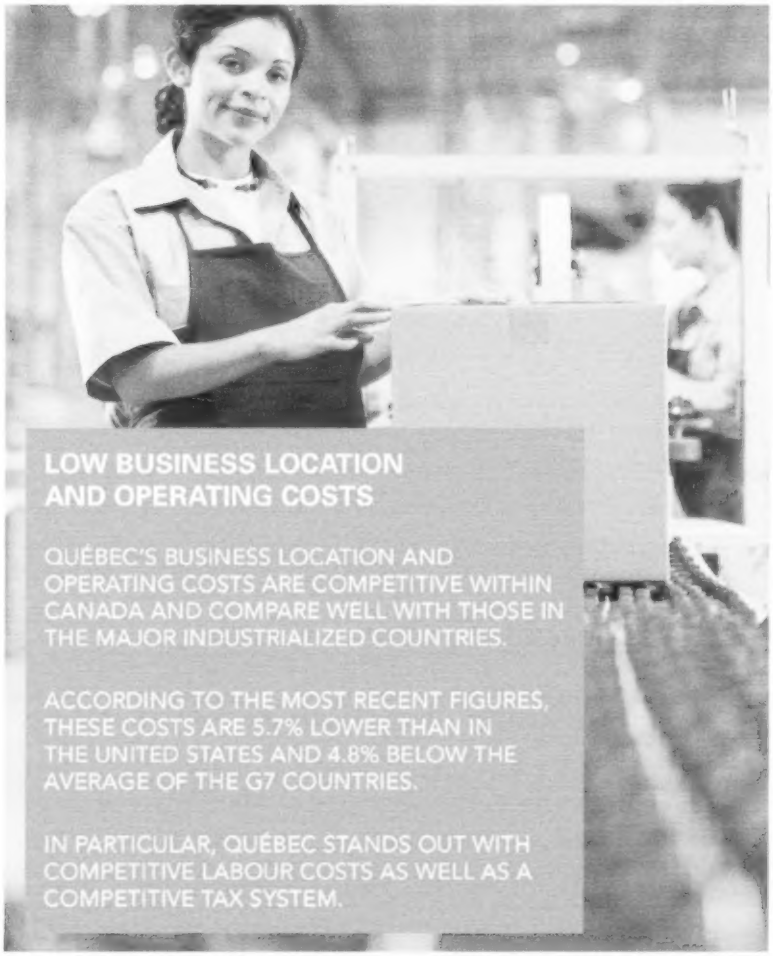
MANY LARGE INTERNATIONAL COMPANIES HAVE CHOSEN QUÉBEC TO CARRY OUT THEIR ACTIVITIES, PARTICULARLY BECAUSE OF THE TALENT OF ITS CREATORS, THE REPUTATION OF THE GAMES THAT HAVE BEEN DEVELOPED HERE AND ITS ADVANTAGEOUS TAX SYSTEM. THUS, OVER THE YEARS, THE FOLLOWING COMPANIES HAVE OPENED STUDIOS IN QUÉBEC, MANY BEING LOCATED IN MONTRÉAL:

- ACTIVISION, BABEL, ELECTRONIC ARTS, FUNCOM, GAMELOFT, SQUARE ENIX (EIDOS), THQ, UBISOFT AND WARNER BROS.

MOREOVER, MANY QUÉBEC COMPANIES, SUCH AS BEHAVIOUR INTERACTIVE, FRIMA STUDIO AND SAVA TRANSMEDIA, NOW OCCUPY A SIGNIFICANT POSITION IN THE VIDEO GAME MARKET.

A COMPETITIVE ECONOMY

Many tax incentives enable Québec businesses to reduce their operating costs.



LOW BUSINESS LOCATION AND OPERATING COSTS

QUÉBEC'S BUSINESS LOCATION AND OPERATING COSTS ARE COMPETITIVE WITHIN CANADA AND COMPARE WELL WITH THOSE IN THE MAJOR INDUSTRIALIZED COUNTRIES.

ACCORDING TO THE MOST RECENT FIGURES, THESE COSTS ARE 5.7% LOWER THAN IN THE UNITED STATES AND 4.8% BELOW THE AVERAGE OF THE G7 COUNTRIES.

IN PARTICULAR, QUÉBEC STANDS OUT WITH COMPETITIVE LABOUR COSTS AS WELL AS A COMPETITIVE TAX SYSTEM.

STATISTICS CANADA'S SURVEY ON PRIVATE AND PUBLIC INVESTMENT (MARCH 2012) INDICATES THAT THE VALUE OF NON-RESIDENTIAL INVESTMENT IN QUÉBEC SHOULD RISE BY 7.3% IN 2012.

MANUFACTURING INVESTMENTS WILL EXCEED $5 BILLION FOR THE SECOND YEAR IN A ROW.

A COMPETITIVE TAX SYSTEM FOR INVESTMENT

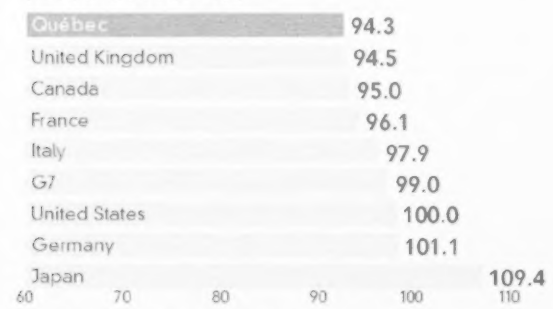
Companies in Québec operate under a globally competitive tax system for new investments.

Québec's tax rate on investment is lower than the average rates of the United States, the G7 countries and OECD countries. Moreover, it is one of the lowest in Canada, mainly due to:

- an investment tax credit on acquisitions of manufacturing and processing equipment;
- the refund of the sales tax paid on capital goods.

BUSINESS LOCATION AND OPERATING COSTS[1] – 2012

(index, United States = 100)

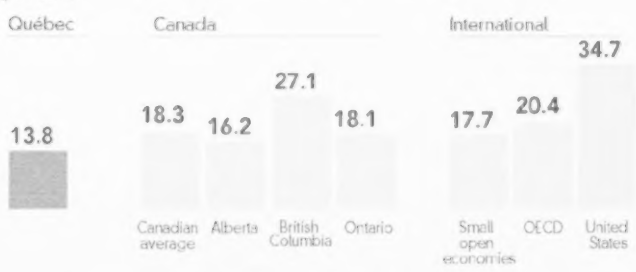


1 Average of 19 activity sectors – Québec, and major industrialized countries.

SOURCES: KPMG AND MINISTÈRE DES FINANCES DU QUÉBEC

COMPARISON OF MARGINAL EFFECTIVE TAX RATES (METR)[1] ON INVESTMENT – 2014

(per cent)



1 METRs are indicators of the impact of the tax system on new investments. They represent the effect of all tax expenses and rules affecting the return on invested capital. In particular, they take into account the tax on capital, sales tax, corporate income tax, depreciation rules and rates as well as accounting methods for inventories.

SOURCE: MINISTÈRE DES FINANCES DU QUÉBEC

AN ECONOMY OPEN TO THE WORLD

Québec is developing and diversifying its export markets.

AN ECONOMY INTEGRATED WITH THE NORTH AMERICAN MARKET

Québec enjoys an advantageous geographical situation. It is one of the major gateways to the huge North American market.

- Québec has more than 3 000 km of coastline. The Saint Lawrence Seaway, consisting of the gulf, estuary and Saint Lawrence River, provide preferred access for merchandise trade in North America.
- There are 55 airports in Québec, including two international platforms, namely Montréal's Pierre-Elliott-Trudeau international airport (third-largest in Canada) and Québec City's Jean Lesage international airport.

Thanks, among other things, to the Free Trade Agreement (FTA) and the North American Free Trade Agreement (NAFTA), Québec's international exports have grown from 21% of nominal GDP in 1988 to 26% in 2011. Interprovincial exports represent 19% of Québec's GDP.

QUÉBEC'S PORTS

QUÉBEC HAS FIVE INTERNATIONAL PORTS, IN PARTICULAR:

- THE PORT OF MONTRÉAL, THE MOST DIRECT INTERMODAL LINK BETWEEN THE INDUSTRIAL HEART OF NORTH AMERICA AND MARKETS OF NORTHERN EUROPE AND THE MEDITERRANEAN;
- THE PORT OF SEPT-ÎLES, WHICH IS THE LARGEST ORE PORT IN NORTH AMERICA.
  - THIS PORT'S CAPACITY WILL REACH 50 MILLION TONNES PER YEAR THANKS TO INVESTMENTS OF $220 MILLION FOR THE CONSTRUCTION OF A DEEP-WATER MULTI-USER WHARF.

INCREASINGLY DIVERSIFIED EXPORTS

THE PRODUCTS EXPORTED BY QUÉBEC AND THEIR DESTINATIONS ARE INCREASINGLY DIVERSE. ALTHOUGH THE UNITED STATES REMAIN QUÉBEC'S LARGEST TRADING PARTNER, WITH 67.6% OF EXPORTS IN 2011, A GROWING SHARE OF QUÉBEC'S EXPORTS IS SHIPPED TO HIGH-GROWTH COUNTRIES SUCH AS CHINA, INDIA, BRAZIL, MEXICO AND SOUTH KOREA.

BETWEEN 2001 TO 2011, QUÉBEC'S EXPORTS TO EUROPE AND COUNTRIES OTHER THAN THE UNITED STATES HAVE GROWN STEADILY, THEIR PROPORTION RISING:

- FROM 9.2% TO 14.6% TO EUROPE;
- FROM 6.2% TO 17.8% TO OTHER COUNTRIES.

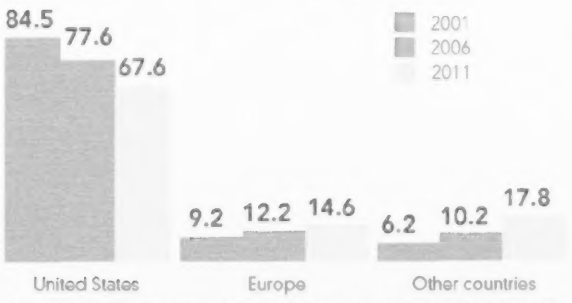
THE PRODUCTS EXPORTED BY QUÉBEC IN 2011 ARE ALSO DIVERSIFIED:

- AIRCRAFT AND PARTS, THE TOP EXPORTS, ACCOUNTED FOR 16.7% OF EXPORTS;
- MACHINERY AND EQUIPMENT REPRESENTED 16.6%;
- PRIMARY METALS ACCOUNTED FOR 16.0%.

QUÉBEC'S EXPORT OUTLOOK IS VERY ENCOURAGING, IN PARTICULAR BECAUSE OF GROWING DEMAND FROM EMERGING ECONOMIES FOR QUÉBEC'S NATURAL RESOURCES.

SHARES OF INTERNATIONAL EXPORTS ACCORDING TO TRADING PARTNER

(as a percentage of international exports of goods, in nominal terms)

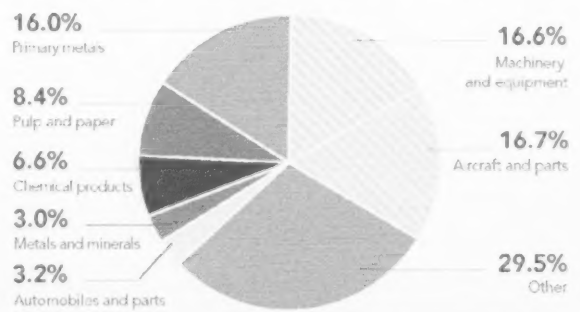


Note: Figures have been rounded off, so the total may not correspond to the total indicated.

SOURCES: INSTITUT DE LA STATISTIQUE DU QUÉBEC AND MINISTÈRE DES FINANCES DU QUÉBEC

BREAKDOWN OF EXPORTS BY PRODUCT CATEGORY – 2011

(as a percentage of international exports of goods, in real terms)



SOURCES: INSTITUT DE LA STATISTIQUE DU QUÉBEC AND MINISTÈRE DES FINANCES DU QUÉBEC

ABUNDANT NATURAL RESOURCES

GIVEN THE SIGNIFICANT ONGOING MINING INVESTMENTS, MINING PRODUCTION SHOULD CONTINUE TO MAKE GAINS OVER THE NEXT FEW YEARS.

STRONG GLOBAL DEMAND FOR RAW MATERIALS: AN OPPORTUNITY FOR QUÉBEC

The strength of global demand for raw materials over the last two years has resulted in rapid growth of the prices of the main ores extracted or processed in Québec.

- Between 2009 and 2011, prices have increased by 116.0% for iron, 70.1% for copper, 61.5% for gold, 55.2% for nickel, 43.2% for aluminum and 31.8% for zinc.

This demand is reflected in the value of mining output in Québec, which has almost doubled between 2005 and 2011.

- The natural resources sector thus represents, in 2011, close to 23% of the volume of Québec's international exports of goods.

Québec is a major player on the aluminum and iron markets. In 2011, its exports accounted for more than 80% of Canadian exports of aluminum and more than 40% of iron ore exports.

In addition, Québec's importance on the nickel and zinc markets should grow over the coming years, as these metals are among those most in demand.

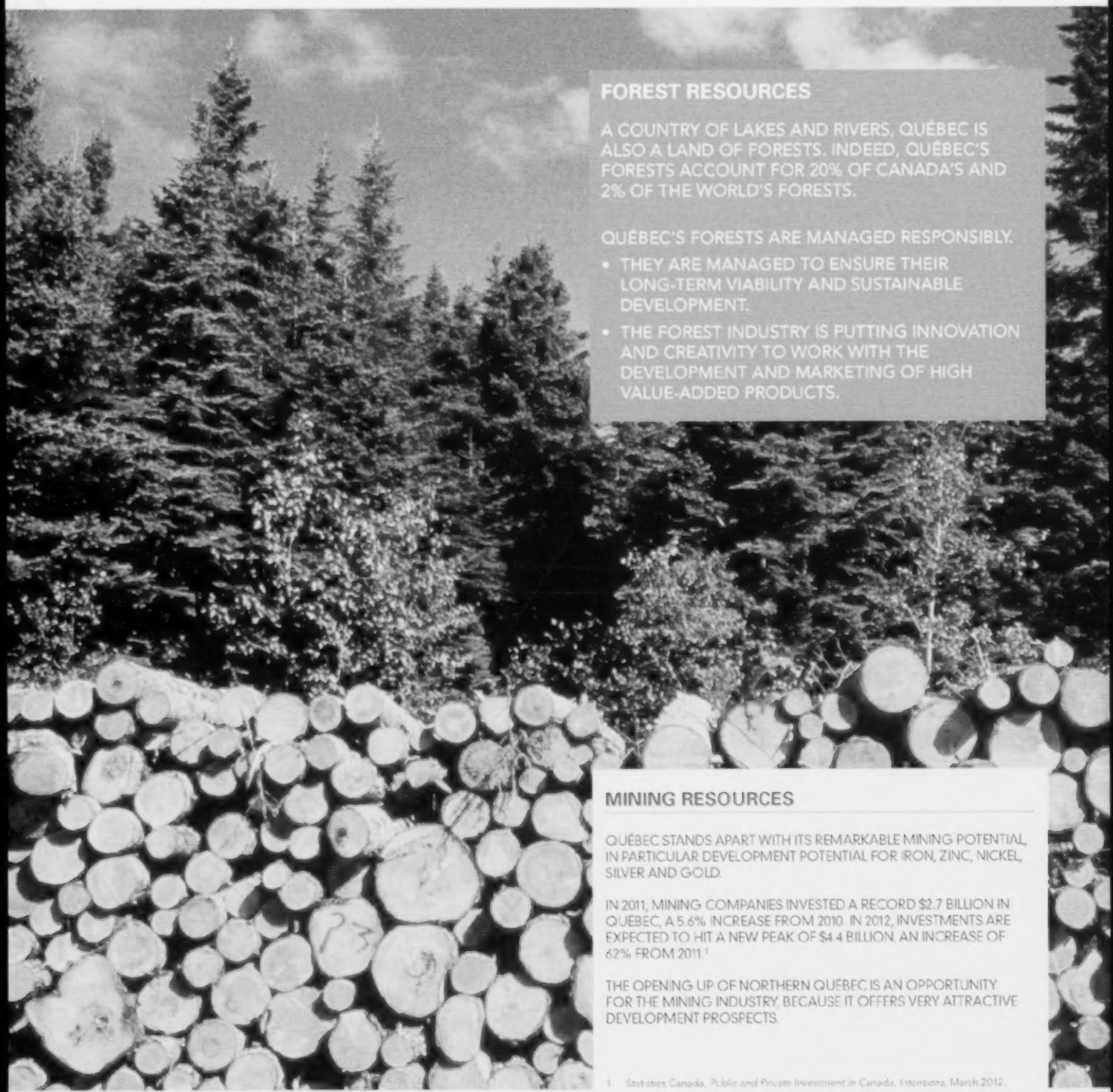
RISE IN COMMODITY PRICES – BETWEEN 2009 AND 2011
(per cent)

SOURCE: BLOOMBERG.

MINING PRODUCTION IN QUÉBEC
(billions of dollars, in nominal terms)

SOURCE: NATURAL RESOURCES CANADA.

Natural resources account for close to one quarter of Québec's international exports.



FOREST RESOURCES

A COUNTRY OF LAKES AND RIVERS, QUÉBEC IS ALSO A LAND OF FORESTS. INDEED, QUÉBEC'S FORESTS ACCOUNT FOR 20% OF CANADA'S AND 2% OF THE WORLD'S FORESTS.

QUÉBEC'S FORESTS ARE MANAGED RESPONSIBLY.

- THEY ARE MANAGED TO ENSURE THEIR LONG-TERM VIABILITY AND SUSTAINABLE DEVELOPMENT.
- THE FOREST INDUSTRY IS PUTTING INNOVATION AND CREATIVITY TO WORK WITH THE DEVELOPMENT AND MARKETING OF HIGH VALUE-ADDED PRODUCTS.

MINING RESOURCES

QUÉBEC STANDS APART WITH ITS REMARKABLE MINING POTENTIAL, IN PARTICULAR DEVELOPMENT POTENTIAL FOR IRON, ZINC, NICKEL, SILVER AND GOLD.

IN 2011, MINING COMPANIES INVESTED A RECORD $2.7 BILLION IN QUÉBEC, A 5.6% INCREASE FROM 2010. IN 2012, INVESTMENTS ARE EXPECTED TO HIT A NEW PEAK OF $4.4 BILLION, AN INCREASE OF 62% FROM 2011.[1]

THE OPENING UP OF NORTHERN QUÉBEC IS AN OPPORTUNITY FOR THE MINING INDUSTRY, BECAUSE IT OFFERS VERY ATTRACTIVE DEVELOPMENT PROSPECTS.

1. Statistics Canada, Public and Private Investment in Canada, Intentions, March 2012.

THE PLAN NORD

The Plan Nord, the project of a generation, aims at developing northern Québec for the benefit of Québec as a whole.

A HUGE POTENTIAL TO BE DEVELOPED SUSTAINABLY

The Plan Nord covers an immense and majestic territory. It encompasses almost 1.2 million km^2, i.e. approximately 72% of the area of Québec. It boasts vast hydroelectric, mining and forestry potential as yet untapped. Indeed, the Québec government has launched the Plan Nord to promote the development of these natural resources.

- Major investments in transportation infrastructure will be made to open up the territory and foster the emergence of new development projects.
- Prospecting activities will be undertaken to promote and attract private investment in the territory of the Plan Nord.

INVESTMENTS OF MORE THAN $80 BILLION OVER 25 YEARS

Unprecedented development is expected in this territory thanks to public and private investment that may exceed $80 billion, supporting on average about 20 000 jobs per year for 25 years.

The Plan Nord follows a sustainable development model that will help develop the resources available in the territory while protecting the environment and ecosystems.

- To this effect, the government has undertaken to set aside 50% of the territory of the Plan Nord for non-industrial purposes, i.e. environmental protection and biodiversity conservation.

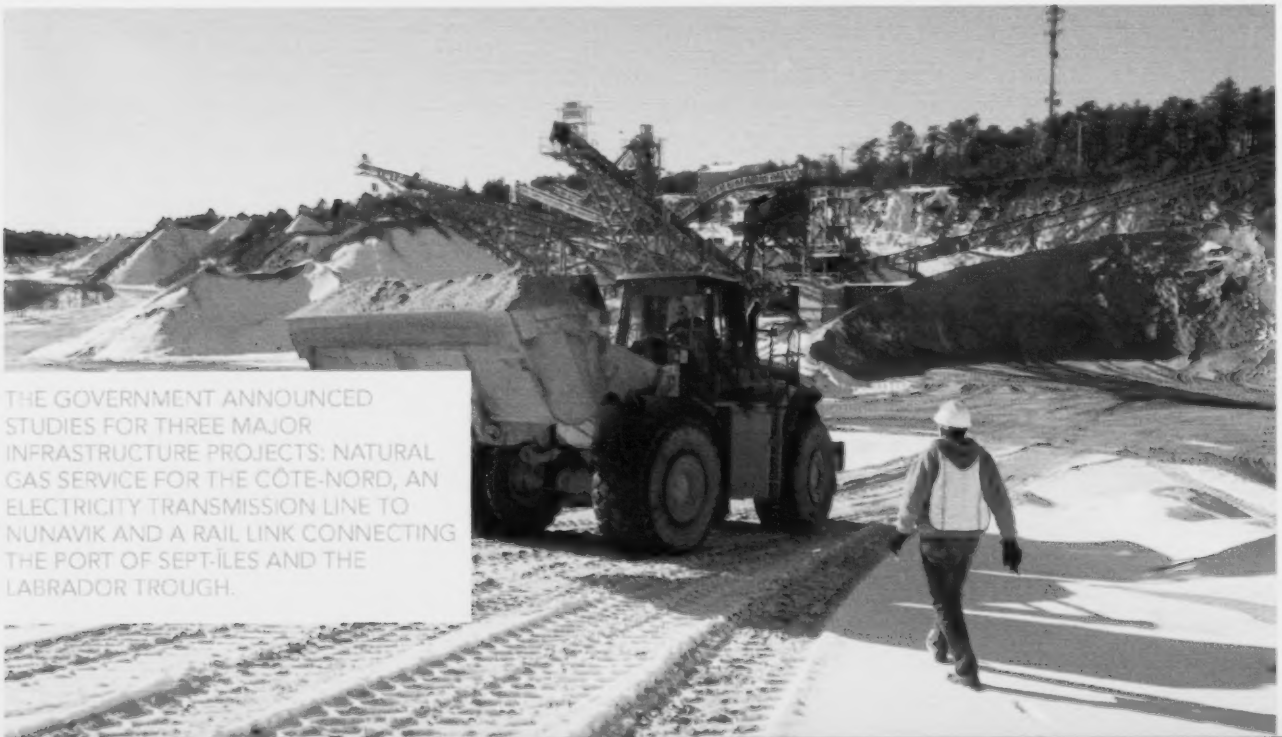
CONTINUING THE DEVELOPMENT OF THE PLAN NORD

THE GOVERNMENT IS CONTINUING ITS INITIATIVES TO OVERSEE THE DEVELOPMENT OF THE PLAN NORD AND ENSURE THE SUCCESS OF ITS IMPLEMENTATION.

- A NEW GOVERNMENT CORPORATION, THE SOCIÉTÉ DU PLAN NORD, WILL BE FORMED TO COORDINATE THE IMPLEMENTATION OF PUBLIC INVESTMENTS.
- A NEW SUBSIDIARY OF INVESTISSEMENT QUÉBEC, RESSOURCES QUÉBEC, OFFERS FINANCIAL SOLUTIONS AND SUPPORT TO COMPANIES WISHING TO INVEST IN THE MINING AND HYDROCARBONS SECTORS. WITH A PORTFOLIO OF $1.2 BILLION, IT INTERVENES AND TAKES EQUITY STAKES IN PROJECTS ON ITS OWN BEHALF AND FOR THE GOVERNMENT.

NEW FUNDING FOR THE PLAN NORD FUND

TO SUPPORT THE IMPLEMENTATION OF ITS NORTHERN QUÉBEC DEVELOPMENT STRATEGY, THE GOVERNMENT SET UP THE PLAN NORD FUND, A NEW SPECIAL FUND SUPPLIED CHIEFLY BY THE TAX SPINOFFS ATTRIBUTABLE TO INVESTMENTS IN THE TERRITORY.



THE GOVERNMENT ANNOUNCED STUDIES FOR THREE MAJOR INFRASTRUCTURE PROJECTS: NATURAL GAS SERVICE FOR THE CÔTE-NORD, AN ELECTRICITY TRANSMISSION LINE TO NUNAVIK AND A RAIL LINK CONNECTING THE PORT OF SEPT-ÎLES AND THE LABRADOR TROUGH.

HYDRO-QUÉBEC

The La Romaine complex is one of the country's largest infrastructure projects with investments of $6.5 billion.

A PILLAR IN FAVOUR OF SUSTAINABLE DEVELOPMENT IN QUÉBEC

Québec has one of the most abundant supplies of water in the world. There are more than 130 000 watercourses. More than 40% of Canada's water resources lie within its territory. The Québec government has developed this potential since the founding, in 1944, of Hydro-Québec, a government corporation of which it is the sole shareholder.

Hydro-Québec produces, transmits and distributes electricity. It develops essentially renewable energy, especially hydro electricity. Its production base includes in particular 60 hydroelectric power stations, with installed capacity of 36 971 megawatts (MW). Hydro-Québec supports the development of other power options – like wind power and biomass – through its purchases from private producers.

For a number of years, Hydro-Québec has promoted energy efficiency and implemented programs that produce energy savings for its customers.

In 2011, hydro power accounted for 98% of Hydro-Québec's electricity production. This is a green and renewable source of energy with a high degree of operating flexibility and a very small greenhouse gas (GHG) footprint. In comparison, a coal-fired plant emits 100 times more. As a result, the electricity sector represents only 0.6% of GHG emissions in Québec.

Hydro-Québec is therefore actively pursuing development of Québec's hydroelectric potential. The 2006-2015 Québec energy strategy and Hydro-Québec 2009-2013 Strategic Plan call for the addition of 4 500 MW of hydro power. Two major projects, which are among the largest infrastructure projects in Canada, are underway.

- Construction of the Eastmain-1-A and Sarcelle power plants (918 MW), featuring a construction budget of $5.0 billion, with commissioning to be completed in 2012.
  - The project is a great success, the French Observatoire des énergies renouvelables describing it as a model regarding the integration of environmental constraints.
- Construction of the La Romaine complex (1 550 MW), with planned investment of $6.5 billion and which has reached its cruising speed.
  - The project includes the development of four power plants to provide annual production of 8.0 terawatt hours.
  - More than 1 100 workers were at work on the site in May 2012; their number could exceed 2 300 in 2014.
  - The facilities will be brought on stream gradually from 2014 to 2020.

THESE MAJOR RENEWABLE ENERGY PROJECTS WILL ENABLE HYDRO-QUÉBEC TO SECURE QUEBECERS' SUPPLY OF ELECTRICITY AND CREATE SPARE CAPACITY TO ACCOMMODATE NEW WEALTH-CREATING BUSINESSES, WHILE OPTIMIZING ITS EXPORTS.

HYDRO-QUÉBEC'S TRANSMISSION NETWORK, THE LARGEST IN NORTH AMERICA, INCLUDES 33 630 KM OF LINES WITH INTERCONNECTIONS WITH THE NEIGHBOURING PROVINCES AND THE NORTHEASTERN UNITED STATES. HYDRO-QUÉBEC IS CONTINUING DISCUSSIONS ON ITS POSSIBLE PARTICIPATION IN A PLANNED UNDERGROUND TRANSMISSION LINE BETWEEN QUÉBEC AND NEW YORK STATE.

WITH ITS NEW HYDROELECTRIC PROJECTS, HYDRO-QUÉBEC INTENDS TO CONSOLIDATE ITS PLACE ON THESE MARKETS AND MARKET ITS SURPLUS. HYDRO-QUÉBEC'S ELECTRICITY PRODUCTION ALSO PUTS QUÉBEC IN FOURTH PLACE AMONG THE WORLD'S PRODUCERS OF HYDROELECTRICITY AND ALLOWS CONSUMERS IN QUÉBEC TO ENJOY ELECTRICITY RATES AMONG THE LOWEST IN NORTH AMERICA.

HYDRO-QUÉBEC – 2011 HIGHLIGHTS

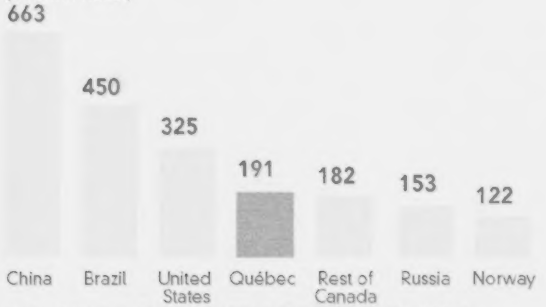
(millions of dollars)

Income	12 392
Net earnings	2 611
Total assets	69 637
Staff level (persons)	22 501
Installed capacity (MW)	36 971

SOURCE: HYDRO-QUÉBEC'S 2011 ANNUAL REPORT

MAJOR PRODUCERS OF HYDROELECTRICITY IN THE WORLD – 2011

(terawatt hours)

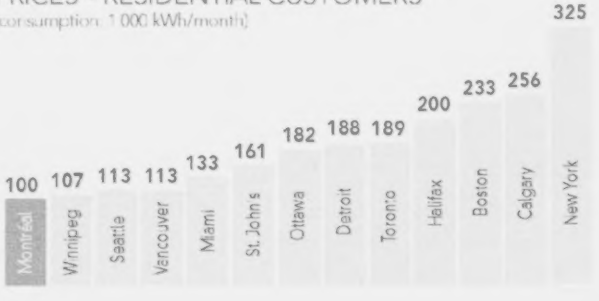


Note: Québec's production does not include supplies from Churchill Falls.

SOURCES: HYDRO-QUÉBEC AND ASSOCIATION INTERNATIONALE POUR L'HYDROÉLECTRICITÉ (IHA).

COMPARATIVE INDEX OF ELECTRICITY PRICES – RESIDENTIAL CUSTOMERS

(consumption: 1 000 kWh/month)



Note: Monthly invoices excluding taxes. Rates in force on April 1, 2011.

SOURCE: HYDRO-QUÉBEC, *COMPARISON OF ELECTRICITY PRICES IN MAJOR NORTH AMERICAN CITIES*, 2011.

PUBLIC FINANCES

17 Rigourous management of public finances

17 Stay the course towards fiscal balance and debt reduction

A collective effort

18 A funding plan for the major government missions

Controlling spending

19 Diversified revenue sources

The Canadian federation

20 Long-term management of infrastructure investments

21 The Generations Fund, a positive step for our future

21 Debt repayment: a priority for the government

Banking on water, Québec's blue gold

RIGOUROUS MANAGEMENT OF PUBLIC FINANCES

STAY THE COURSE TOWARDS FISCAL BALANCE AND DEBT REDUCTION

Since 2009-2010, the Québec government has taken significant steps to support the economy, secure economic recovery and return to fiscal balance by 2013-2014. The government's strategy has produced results:

- budget deficits in Québec have been smaller than elsewhere;
- the recession has not been as deep, enabling a faster return to fiscal balance.

The government is staying the course on returning to fiscal balance and reducing the debt, while fostering long-term economic development. Budgetary objectives are being met over the time period covered by the plan to restore fiscal balance.

- For 2011-2012, the budget deficit is estimated at $3.3 billion.
- For 2012-2013, the budget deficit objective of $1.5 billion is maintained.
- Lastly, a balanced budget is forecast for 2013-2014.

BUDGETARY BALANCE FROM 2009-2010 TO 2013-2014[1]
(millions of dollars)

1. Budgetary balance within the meaning of the Balanced Budget Act.

SUMMARY OF BUDGETARY TRANSACTIONS, BUDGET 2012-2013
(millions of dollars)

	2011-2012	2012-2013	2013-2014
Budgetary revenue[1]	65 539	69 395	72 524
% change	4.6	5.9	4.5
Budgetary expenditure[1]	–68 836	–70 879	–72 578
% change	2.5	3.0	2.4
Consolidated entities[2]	1 145	1 195	1 295
Contingency reserves	–300	–300	–200
SURPLUS (DEFICIT)	–2 452	–589	1 041
Payments of revenue dedicated to the Generations Fund	–848	–911	–1 041
BUDGET BALANCE[3]	–3 300	–1 500	—
As a % of GDP	1.8	0.8	—

1. Corresponds to the revenue and expenditure of the general fund.
2. Included in consolidation adjustments.
3. Budgetary balance within the meaning of the Balanced Budget Act.

RIGOUROUS MANAGEMENT OF PUBLIC FINANCES

A FUNDING PLAN FOR THE MAJOR GOVERNMENT MISSIONS

UNPRECEDENTED EFFORTS HAVE BEEN MADE TO ENSURE STABLE FUNDING OF THE MAJOR GOVERNMENT MISSIONS, DESPITE THE ACTIONS TAKEN TO SLOW SPENDING GROWTH.

WITH THESE FUNDING PLANS, CLOSE TO 50% OF THE GOVERNMENT'S CONSOLIDATED EXPENDITURE IS COVERED BY A MEDIUM-TERM FINANCIAL FRAMEWORK. THESE FUNDING PLANS WILL MAKE IT POSSIBLE TO:

- INCREASE GOVERNMENT FUNDING FOR HEALTH BY 5% PER YEAR ON AVERAGE FROM 2009-2010 TO 2013-2014;
- INVEST AN ADDITIONAL $967 MILLION TO ENSURE THE EXCELLENCE AND PERFORMANCE OF QUÉBEC UNIVERSITIES BY 2016-2017;
- CARRY OUT THE WORK NEEDED TO OFFSET THE MAINTENANCE DEFICIT OF THE ROAD NETWORK WITH FUNDING FROM THE LAND TRANSPORTATION NETWORK FUND;
- FOSTER SUSTAINABLE FOREST DEVELOPMENT, THROUGH ALLOCATIONS OF MORE THAN $500 MILLION ANNUALLY UNTIL 2016-2017, WHILE INCREASING REVENUES FROM ROYALTIES AND DUTIES ON TIMBER.

A MEDIUM-TERM FUNDING PLAN WAS ESTABLISHED FOR HEALTH, UNIVERSITIES, ROAD AND PUBLIC TRANSIT INFRASTRUCTURE AND THE FORESTRY SECTOR.

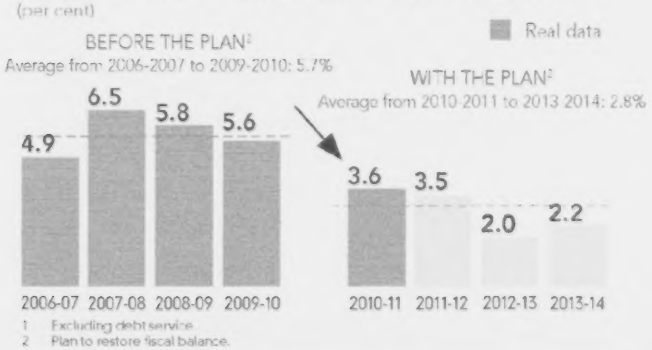
CONTROLLING SPENDING

Along with British Columbia and New Brunswick, Québec is the Canadian province that has best controlled its spending since 2003-2004.

- Consolidated expenditure excluding debt service has risen by 5.3% per year on average from 2003-2004 to 2010-2011 in Québec, compared with 6.3% in the other provinces.

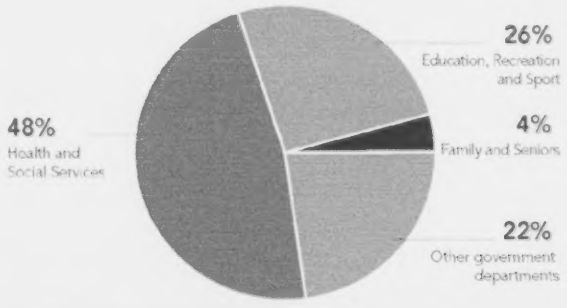
For the period from 2010-2011 to 2013-2014, average annual growth in consolidated expenditure excluding debt service will be 2.8%, a significant decrease compared to the 5.7% observed from 2006-2007 to 2009-2010.

A SIGNIFICANT REDUCTION IN THE GROWTH OF THE GOVERNMENT'S CONSOLIDATED EXPENDITURE[1]



1 Excluding debt service.
2 Plan to restore fiscal balance.

BREAKDOWN OF PROGRAM SPENDING BY GOVERNMENT DEPARTMENT – 2012-2013



The government is staying the course to restore fiscal balance by 2013-2014.

DIVERSIFIED REVENUE SOURCES

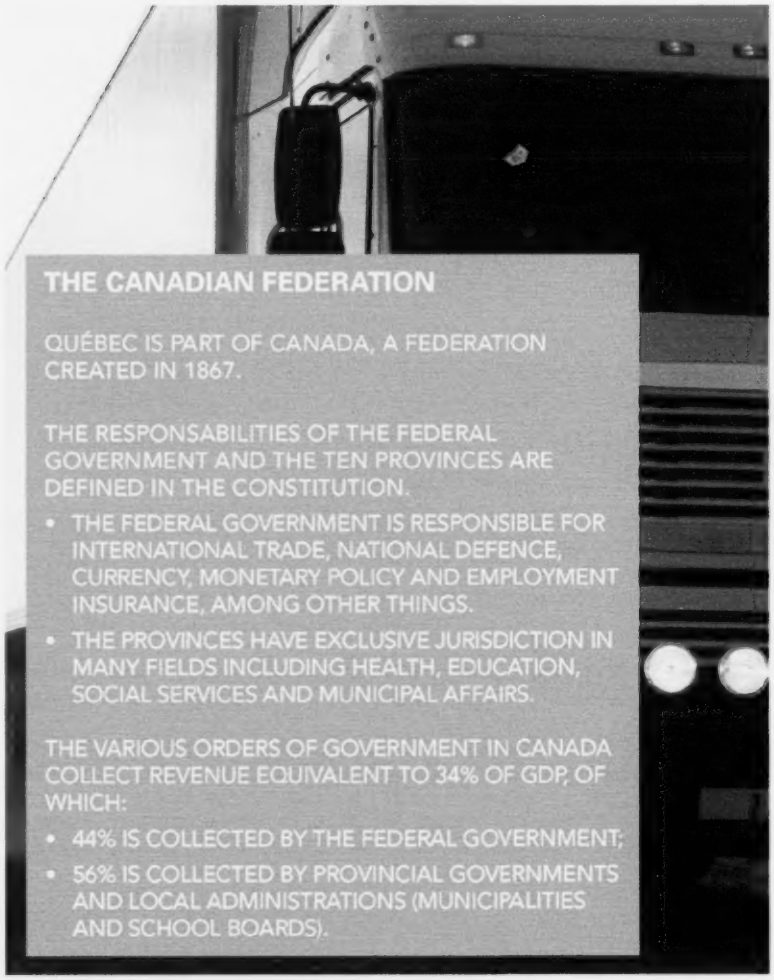
The Québec government's revenue comes from two sources:

- own-source revenue (77.2%);
- federal transfers (22.8%).

Most own-source revenue is derived from personal income tax (36.5%) and taxes on consumption (30.7%).

In addition, Québec is one of the six provinces that receive transfer payments under the federal equalization program.

- Québec and the nine other provinces also receive transfers for social programs such as health and post-secondary education.



THE CANADIAN FEDERATION

QUÉBEC IS PART OF CANADA, A FEDERATION CREATED IN 1867.

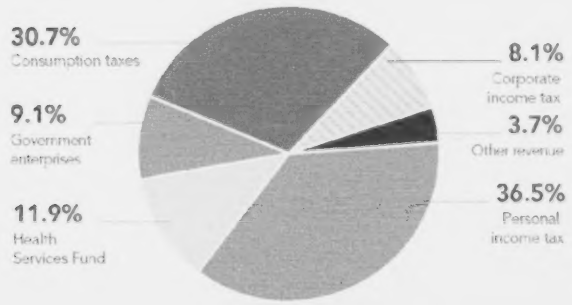
THE RESPONSABILITIES OF THE FEDERAL GOVERNMENT AND THE TEN PROVINCES ARE DEFINED IN THE CONSTITUTION.

- THE FEDERAL GOVERNMENT IS RESPONSIBLE FOR INTERNATIONAL TRADE, NATIONAL DEFENCE, CURRENCY, MONETARY POLICY AND EMPLOYMENT INSURANCE, AMONG OTHER THINGS.
- THE PROVINCES HAVE EXCLUSIVE JURISDICTION IN MANY FIELDS INCLUDING HEALTH, EDUCATION, SOCIAL SERVICES AND MUNICIPAL AFFAIRS.

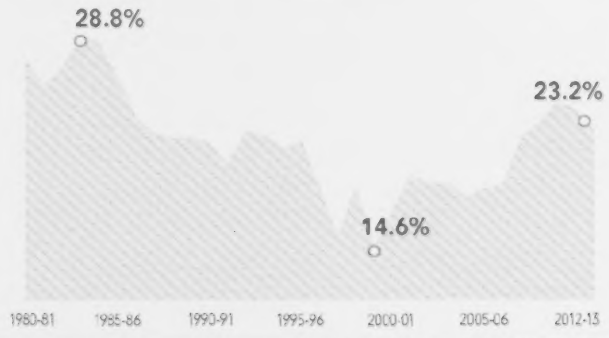
THE VARIOUS ORDERS OF GOVERNMENT IN CANADA COLLECT REVENUE EQUIVALENT TO 34% OF GDP, OF WHICH:

- 44% IS COLLECTED BY THE FEDERAL GOVERNMENT;
- 56% IS COLLECTED BY PROVINCIAL GOVERNMENTS AND LOCAL ADMINISTRATIONS (MUNICIPALITIES AND SCHOOL BOARDS).

BREAKDOWN OF THE GOVERNMENT'S OWN SOURCE REVENUE – 2011-2012



FEDERAL TRANSFERS – 1980-1981 TO 2012-2013
(as a percentage of budgetary revenue)



THE LEVEL OF INVESTMENT IS SET, IN THE QUÉBEC INFRASTRUCTURES PLAN, AT $44.2 BILLION FOR 2011-2016, INCLUDING $9.8 BILLION FOR 2012-2013. THIS WILL ALLOW THE CONSTRUCTION AND RESTORATION OF MANY ROADS, MUNICIPAL INFRASTRUCTURE PROJECTS, SCHOOLS AND HOSPITALS IN EVERY REGION OF QUÉBEC.

LONG-TERM MANAGEMENT OF INFRASTRUCTURE INVESTMENTS

To improve the quality of infrastructures, the Québec government implemented a major public infrastructure investment plan extending to 2025-2026. This plan was intensified to support the economy and employment during the last recession.

Beginning in 2013-2014, the annual investment targets will decline, reaching $8.0 billion in 2015-2016, and remain stable thereafter. These targets will make it possible to:

- complete the major projects that are in progress;
- fund new priority projects and finish offsetting the maintenance deficit by 2022-2023 pursuant to the Act to promote the maintenance and renewal of public infrastructures.

The capping of infrastructure investment targets will result in a decrease in their importance in the economy, from a peak of 2.8% in 2012-2013 to 1.6% by 2025-2026. Nevertheless, the annual level of investment as a percentage of GDP will remain higher than what prevailed prior to 2008.

Moreover, with these investment targets, the size of the stock of public capital in the economy, a key productivity and economic growth factor, will continue to rise. This upgrading will restore the stock of public capital to what prevailed in the early 1980s.

ANNUAL INVESTMENTS UNDER THE QUÉBEC INFRASTRUCTURES PLAN

(as a percentage of GDP)

SOURCES: MINISTÈRE DES FINANCES DU QUÉBEC AND SECRÉTARIAT DU CONSEIL DU TRÉSOR

CHANGE IN THE STOCK OF PUBLIC CAPITAL

(as a percentage of GDP, 2002 dollars)

SOURCES: STATISTICS CANADA AND MINISTÈRE DES FINANCES DU QUÉBEC

THE GENERATIONS FUND, A POSITIVE STEP FOR OUR FUTURE

DEBT REDUCTION: A PRIORITY FOR THE GOVERNMENT

The government's debt reduction objectives are written into the Act to reduce the debt and establish the Generations Fund.

- As at March 31, 2012, the gross debt stood at 55% of GDP. The government's objective is to reduce this ratio to 45% as at March 31, 2026.
- As at March 31, 2012, the debt representing accumulated deficits amounted to 35.2% of GDP. The government's objective is to reduce this ratio to 17% as at March 31, 2026.

To achieve these objectives, the government has announced that new sources of revenue will be dedicated to the Generations Fund:

- the revenue stemming from the increase in the price of heritage pool electricity will gradually rise as of 2014-2015;
- 25% of mining, oil and gas royalties in excess of $200 million beginning in 2014-2015;
- 25% of amounts from the auctioning of licences to explore for oil, gas and underground reservoirs;
- an amount of $300 million from the accumulated surplus of the Territorial Information Fund.

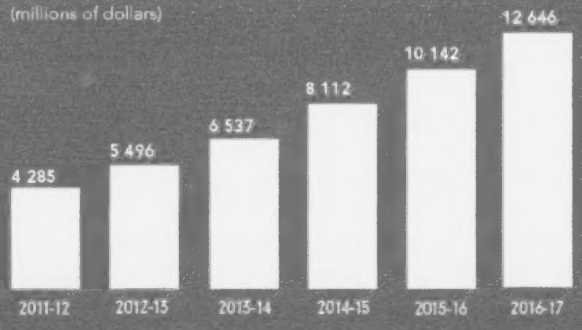
With all of the measures announced, the balance in the Generations Fund should reach $12.6 billion by March 31, 2017.

BANKING ON WATER, QUÉBEC'S BLUE GOLD

THE CHIEF SOURCE OF FINANCING FOR THE GENERATIONS FUND, CREATED IN 2006, IS ROYALTIES FROM A RESOURCE QUÉBEC HAS IN ABUNDANCE: WATER.

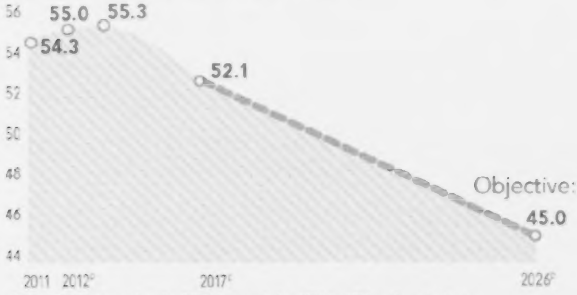
- IN 2011-2012, $696 MILLION IN WATER-POWER ROYALTIES WERE PAID INTO THE FUND BY HYDRO-QUÉBEC AND PRIVATE PRODUCERS OF ELECTRICITY.
- THE GRADUAL INCREASE, STARTING IN 2014-2015, OF 1 CENT PER KILOWATTHOUR IN THE PRICE OF HERITAGE POOL ELECTRICITY OVER A FIVE-YEAR PERIOD WILL RESULT IN ADDITIONAL ANNUAL REVENUE OF APPROXIMATELY $1.6 BILLION BY 2018-2019.
- THE TOTAL PAYMENTS INTO THE GENERATIONS FUND, INCLUDING MONEY FROM THE PRICE RISE IN HERITAGE POOL ELECTRICITY, WILL REACH $2.5 BILLION IN 2016-2017.

BALANCE OF THE GENERATIONS FUND[P]
(millions of dollars)



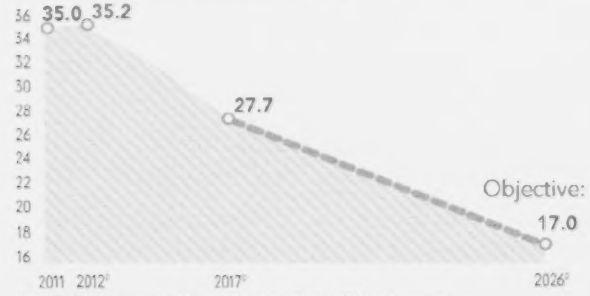
P. Preliminary results for 2011-2012 and forecasts for subsequent years.

GROSS DEBT
(as at March 31, as a percentage of GDP)



P. Preliminary data for 2012, forecasts for 2013 to 2017 and projections for subsequent years.
Note: The gross debt excludes borrowings made in advance and takes the amounts accumulated in the Generations Fund into account.

DEBT REPRESENTING ACCUMULATED DEFICITS
(as at March 31, as a percentage of GDP)



P. Preliminary data for 2012, forecasts for 2013 to 2017 and projections for subsequent years.

FINANCING

23 The government's financing program

24 A major issuer on the Canadian market

25 An ongoing and recognized presence on international markets

27 Debt management

28 High credit quality

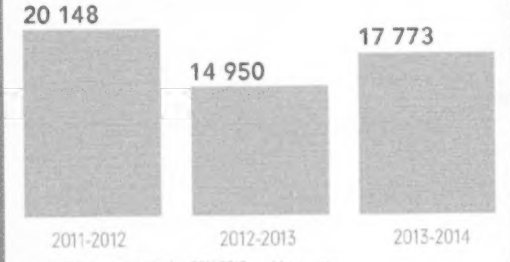
THE GOVERNMENT'S FINANCING PROGRAM

GENERAL FUND AND FINANCING FUND

The essential goals of financing are to:

- meet new financing requirements, in particular for capital investments and in government corporations;
- repay maturing borrowings;
- contribute to sinking funds for future payment of retirement benefits and future employee benefits to public and parapublic sector employees.

FINANCING PROGRAM[P]
(millions of dollars)



P: Preliminary results for 2011-2012 and forecasts for subsequent years.

FINANCING PROGRAM
(millions of dollars)

	2011-2012[P]	2012-2013[P]	2013-2014[P]
GENERAL FUND[1]			
Net financial requirements[2,3]	6 124	2 732	297
Repayments of borrowings	7 034	4 519	4 476
Change in cash position	-4 518	-4 401	—
Deposits to the Retirement Plans Sinking Fund (RPSF)	1 000	—	—
Transactions under the credit policy[4]	-644	—	—
Additional contributions to the sinking fund relating to borrowings	—	5 000	5 000
Pre-financing	4 401	—	—
TOTAL – General fund	13 397	5 850	7 773
FINANCING FUND	5 360	5 100	4 500
Including: repayment of borrowings	548	1 254	1 251
FINANCEMENT-QUÉBEC	3 391	4 000	5 500
Including: repayment of borrowings	1 962	1 866	3 722
TOTAL	20 148	14 950	17 773
Including: repayment of borrowings	9 544	7 639	9 449

P: Preliminary results for 2011-2012 and forecasts for subsequent years.
N.B.: A negative amount indicates a source of financing and a positive amount, a financial requirement.
1 The general fund corresponds to the former name of the consolidated revenue fund.
2 The amounts exclude net financial requirements of consolidated entities.
3 Net financial requirements are adjusted to reflect the non-receipt of revenues of the RPSF and of funds dedicated to employee future benefits.
4 Under its credit policy, which is designed to limit counterparty risk, the government received $644 million in 2011-2012 following exchange rate movements. These receipts reduce financial requirements to be satisfied with new borrowings.

INCREASE OF PRUDENTIAL CASH RESOURCES

This year, the government is implementing a new policy to increase the level of prudential cash resources. The objective is to increase the government's cash resources by $6 billion over the next two years. These funds may be used in the event of significant upheaval on financial markets.

FINANCEMENT-QUÉBEC

FINANCEMENT-QUÉBEC IS A GOVERNMENT CORPORATION THAT BORROWS ON FINANCIAL MARKETS TO MEET THE FINANCING NEEDS OF INSTITUTIONS OF THE HEALTH AND EDUCATION NETWORKS RELATING TO THEIR CAPITAL INVESTMENTS.

- THE QUÉBEC GOVERNMENT GUARANTEES THE BORROWINGS OF FINANCEMENT-QUÉBEC.
- THESE ORGANIZATIONS THUS ENJOY LOWER BORROWING COSTS.

A MAJOR ISSUER ON THE CANADIAN MARKET

LIQUID PUBLIC OFFERINGS

Public offerings form the majority of the government's transactions on the Canadian market.

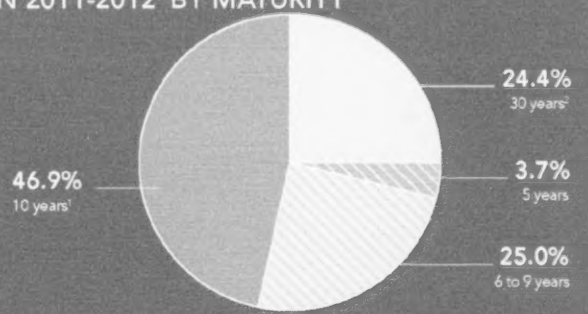
To foster the liquidity of its securities, the government sets benchmark issues and increases their size until the amount outstanding is considered optimal.

DIVERSIFICATION BY MATURITY

QUÉBEC BORROWS AT ALL MATURITIES ON THE CANADIAN MARKET. IN RECENT YEARS, WHERE MARKET CONDITIONS HAVE BEEN FAVOURABLE, QUÉBEC HAS FLOATED A NUMBER OF VERY LONG-TERM ISSUES. TO DATE, THE LONGEST MATURITY FOR A QUÉBEC SECURITY IS IN 2076.

IN 2011-2012, 3.7% OF BORROWINGS COMPLETED HAD A MATURITY OF 5 YEARS, 25.0%, FROM 6 TO 9 YEARS, 46.9%, 10 YEARS AND 24.4%, 30 YEARS.

BORROWINGS COMPLETED IN 2011-2012[P] BY MATURITY

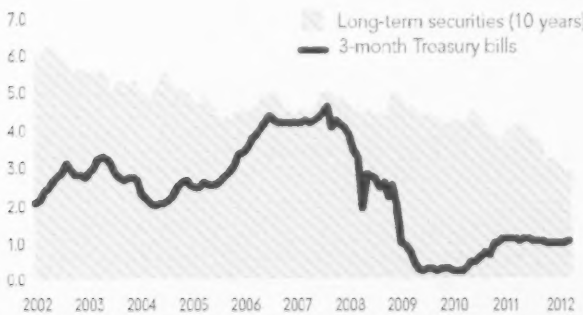


P Preliminary results.
1 Includes borrowings maturing in 2021 and 2022.
2 Includes chiefly borrowings maturing in 2041 and 2043.

BENCHMARK ISSUES IN CANADA
(millions of dollars)

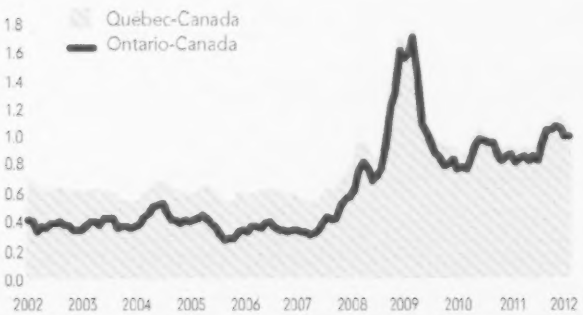
	COUPON (%)	ISSUE DATE	MATURITY DATE	AMOUNT OUTSTANDING
Short term	5.25	2003	2013	2 152
	5.50	2004	2014	2 500
	5.00	2005	2015	2 500
	4.50	2006	2016	3 000
Medium term	4.50	2007	2017	4 000
	4.50	2008	2018	4 000
	4.50	2009	2019	5 000
	4.50	2010	2020	5 900
	4.25	2011	2021	6 000
	3.50	2011	2022	4 500
	9.375	1995	2023	2 202
Long term	6.00	1998	2029	2 757
	6.25	2000	2032	4 200
	5.75	2003	2036	4 083
	5.00	2006	2038	5 000
	5.00	2009	2041	8 000
	4.25	2011	2045	4 500
Very long term	5.00	2006	2051	420
	Various	2006	2056	1 500
	6.70	2006	2062	150
	Various	2009	2065	385
	6.35	2006	2065	940
	Various	2007	2076	500

YIELD ON QUÉBEC SECURITIES
(per cent)



SOURCES: IFC-BOND AND MINISTÈRE DES FINANCES DU QUÉBEC

YIELD SPREAD ON LONG-TERM (10-YEAR) SECURITIES
(per cent)



SOURCE: IFC-BOND

AN ONGOING AND RECOGNIZED PRESENCE ON INTERNATIONAL MARKETS

DIVERSIFICATION BY MARKET

Financing transactions are carried out regularly on major international markets, i.e. in the United States, Europe and Asia.

To ensure good liquidity on the secondary market, large issues are floated.

Over the last ten years, 19% of borrowings were in foreign currencies. In 2011-2012, the Québec government carried out 8.1% of its borrowings on foreign markets.

QUÉBEC'S ACTIVITIES ON INTERNATIONAL MARKETS

Since 2001, Québec has made 16 benchmark issues in US dollars and in euros:

- ten issues in US dollars for a total of US$11.4 billion;
- six issues in euros for a total of €8.25 billion.

Québec plans to remain a regular issuer on international markets. The objective is to issue one benchmark in US dollars and one in euros each year.

A LONGSTANDING PRESENCE ON INTERNATIONAL MARKETS

Québec has borrowed for more than 40 years in Europe and Asia.

- The first borrowing in German marks occurred in 1968.
- The first borrowing in yen was in 1972.
  - Indeed, Québec was the second foreign government to borrow in yen.

It should be noted that Québec's presence on international financial markets dates back to 1874 in London and 1879 in New York, when Québec was the first foreign borrower on that market.

MARKET	COUPON (%)	ISSUE DATE	MATURITY DATE	OUTSTANDING (millions)[1]
ISSUES IN US DOLLARS				
	4.875	2004	2014	1 000
	4.60	2005	2015	1 000
	5.00	2006	2016	1 250
	5.125	2006	2016	1 500
	4.625	2008	2018	1 000
	3.50	2010	2020	1 500
	2.75	2011	2021	1 400
	7.50	1993	2023	1 000
	7.125	1994	2024	1 000
	7.50	1999	2029	1 500
ISSUES IN EUROS				
	4.25	2003	2013	1 000
	3.625	2005	2015	1 500
	3.375	2005	2016	1 500
	4.75	2008	2018	1 250
	5.00	2009	2019	1 500
ISSUES IN OTHER CURRENCIES				
Swiss franc	3.50	2008	2014	250
	3.125	2009	2015	350
	2.25	2005	2015	500
	2.625	2006	2017	500
	3.375	2008	2018	250
	2.875	2009	2021	200
Yen	1.60	2001	2013	50 000
Australian $	5.75	2005	2015	450
	6.50	2011	2021	225
New Zealand $	6.75	2005	2015	300
Mexican peso	8.27	2006	2016	1 500

1 In millions of units of the currency.

DATE OF THE FIRST QUÉBEC BOND ISSUES

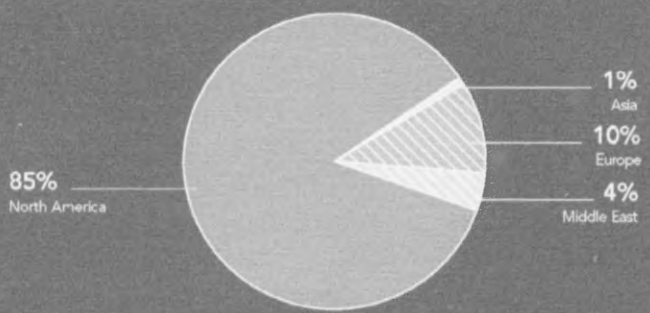
(by currency)

QUÉBEC'S AUGUST 2011 BORROWING IN US DOLLARS

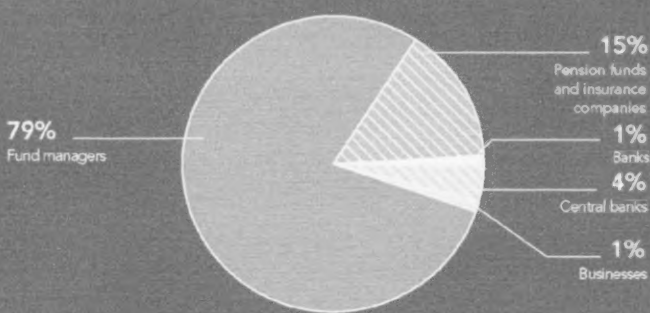
THE MOST RECENT BOND ISSUE IN US DOLLARS WAS CARRIED OUT ON AUGUST 25, 2011. DEMAND CAME FROM MORE THAN 50 INVESTORS AND WAS SUCH AS TO ENABLE AN ISSUE OF US$1.4 BILLION WITH A MATURITY OF 10 YEARS. THIS TRANSACTION EARNED FIRST PRIZE FOR 2011, IN THE CATEGORY "SUB-SOVEREIGN/MUNICIPAL" ISSUERS, AWARDED BY THE FINANCIAL MAGAZINE *EUROWEEK*.

QUÉBEC NOW HAS TEN BENCHMARK ISSUES IN THE US MARKET WITH MATURITIES RANGING BETWEEN 2014 AND 2029.

GEOGRAPHIC BREAKDOWN OF PURCHASES OF THE AUGUST 2011 US$1.4-BILLION ISSUE



BREAKDOWN BY TYPE OF INVESTOR OF PURCHASES OF THE AUGUST 2011 US$1.4-BILLION ISSUE



DIVERSIFIED POOL OF INVESTORS

Québec regularly meets with investors in the United States, Europe and Asia. This strategy, which was introduced several years ago, enables Québec to expand and diversify its investor base.

RECOGNITION BY INTERNATIONAL FINANCIAL MARKETS

The financial magazine *Euroweek* has awarded prizes to Québec for its transactions in US dollars and in euros carried out in 2001, 2002, 2003, 2005, 2008, 2009 and 2011. The International Financing Review also awarded a prize for Québec's issue in Swiss francs in 2005.

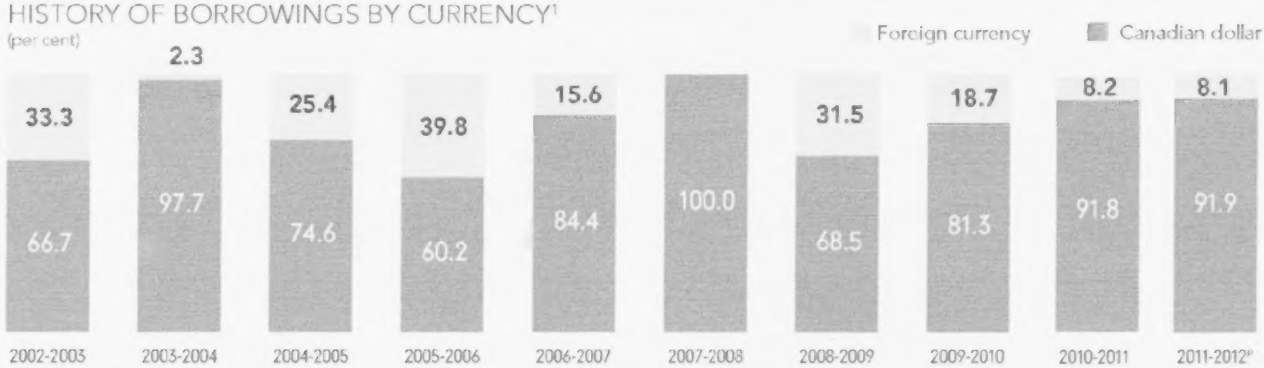
EURO MARKET: QUÉBEC PRESENT FROM THE BEGINNING

QUÉBEC WAS THE FIRST CANADIAN PROVINCE TO BORROW IN EUROS, ON JANUARY 11, 1999, I.E. 11 DAYS AFTER THE BIRTH OF THE CURRENCY.

QUÉBEC CARRIED OUT ITS FIRST BENCHMARK ISSUE IN EUROS IN JUNE 2001.

HISTORY OF BORROWINGS BY CURRENCY[1]

(per cent)



P: Preliminary results.
1. Borrowings of the general fund, borrowings for the financing fund and borrowings of Financement-Québec.

DEBT MANAGEMENT

Debt management allows the government to achieve savings on debt service.

DEBT

THE GOVERNMENT'S GROSS DEBT INCLUDES THE DIRECT DEBT, THE NET LIABILITY UNDER THE RETIREMENT PLANS AND THE NET LIABILITY FOR EMPLOYEE FUTURE BENEFITS. THE GROSS DEBT IS REDUCED BY THE AMOUNTS ACCUMULATED IN THE GENERATIONS FUND.

PRELIMINARY RESULTS SHOW THAT THE GROSS DEBT STOOD AT $183.8 BILLION AS AT MARCH 31, 2012, EQUIVALENT TO 55.0% OF GDP.

MINIMIZE COST AND RISK

The government's debt management strategy seeks to minimize the cost of the debt while limiting the risk tied to fluctuations in exchange rates and interest rates.

Borrowings are made where funds are available, at the lowest possible cost.

Interest rate and currency swaps are used to achieve the desired debt proportions:

- by currency;
- by type of rate, i.e. fixed or floating rate.

THE GOVERNMENT'S GROSS DEBT AS AT MARCH 31, 2012[P]

(billions of dollars)

Consolidated direct debt	159.3
Net retirement plans and employee future benefits liability	28.8
Less:	
Amount accumulated in the Generations Fund	-4.3
GROSS DEBT	183.8

P: Preliminary results.

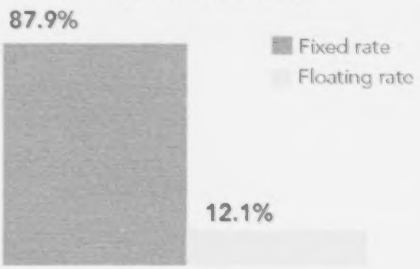
STRUCTURE OF GROSS DEBT BY CURRENCY AS AT MARCH 31, 2012[P]

AFTER TAKING INTEREST RATE AND CURRENCY SWAPS INTO ACCOUNT

P: Preliminary results.

STRUCTURE OF THE GROSS DEBT BY INTEREST RATE AS AT MARCH 31, 2012[P]

AFTER TAKING INTEREST RATE AND CURRENCY SWAPS INTO ACCOUNT



P: Preliminary results.

HIGH CREDIT QUALITY

COMMENTS FROM CREDIT-RATING AGENCIES

MOODY'S – SEPTEMBER 2011

"The Province of Quebec's long-term debt ratings of Aa2 reflect the province's inherent credit strengths, including a large and diverse economy that supports its sizeable own-source resources and considerable policy flexibility over budgetary outcomes through an unfettered access to a broad range of taxes as well as the ability to adjust its expenditure base when required."

"The government's commitment to ease back on debt accumulation through planned reductions in cash requirements and contribution to a debt reserve fund are of key importance to the credit outlook."

STANDARD & POOR'S – SEPTEMBER 2011

"The affirmation [of the rating] reflects our view of the province's robust economic growth prospects in 2011 and 2012, adequate cash and investment holdings, support from the federal government, and commitment to debt reduction."

A STABLE MATURITY SCHEDULE

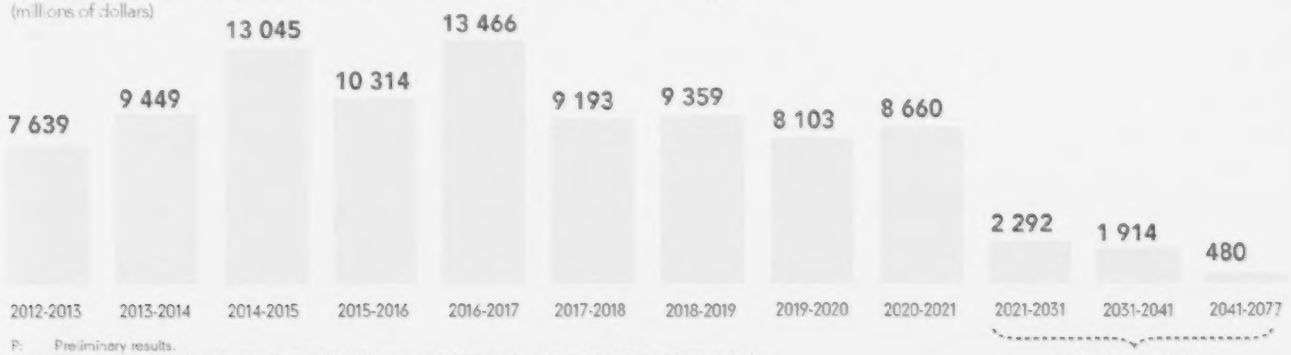
Diversifying borrowings by maturity results in a smooth refinancing schedule, which ensures a regular presence on financial markets. The average maturity of the debt is 12 years.

CREDIT RATINGS

AGENCY	RATING	OUTLOOK
Moody's	Aa2	Stable
Standard & Poor's (S&P)	A+	Stable
Dominion Bond Rating Service (DBRS)	A (high)	Stable
Fitch Ratings (Fitch)	AA-	Stable
Japan Credit Rating Agency (JCR)	AA+	Stable

MATURITY OF THE LONG-TERM DEBT AS AT MARCH 31, 2012[P]

(millions of dollars)



P: Preliminary results.
Note: The long-term debt includes the direct debt of the general fund, the debt contracted to make advances to the Financing Fund and the debt of Financement-Québec.

Finances
Québec